LOAN POLICY

Previously the Loan Policy of the Bank was prepared in year 2013-14 and it is approved by the Board of Directors in their 50th meeting dated 06.04.2013. Therefore new credit policy is prepared by the Credit Policy Reviewal Committee, consisting of General Manager, Chief Manager (Audit), and Chief Manager (Advances, Marketing and Financial Inclusion Dept.) for the year 2013-14. The details are as under -

1. FUNCTIONING AND ROLE OF REGIONAL RURAL BANKS:

1.1. Regional Rural Banks (RRBs) are expected to play a vital role in taking banking to the rural masses, making available credit to weaker sections of society, mobilising and channelising rural savings towards productive activities and in generating employment opportunities in rural areas. During last two years RBs have been provided greater flexibility in operations. A process of mergers of all RRBs of the same sponsor bank in the same state has been effected. After consolidation, the RRBs emerged as biggest local bank for playing crucial role for rural development.

1.2. Towards greater flexibility in operations of RRBs, in the Union Budget for year 2014-15 as well as Chief Secretary, GOI in their meetings the following guidelines ,measures have been announced -

1.2.1. Agriculture credit to exceed the target of Rs.7 lakh crores,

1.2.2. To provide all households in the country with banking services, a time bound programmed would be launched,it would particularly focus to empower the weaker sections of the society,including women,small and marginal farmers and labourers.

1.2.3. RRBs to evolve long-term strategy for branch expansion for next three years,

1.2.4. In case any RRB face a constraint in undertaking branch expansion due to the linking of branch expansion to levels of N.P.As, the concern RRB would submit its detail proposal to RBI on its expansion plan with necessary justification for the same.

1.2.2 RRBs should have an average of per staff profitability not below than Rs.5.00 lacs

1.2.5. RRBs should have an average of per staff productivity not below than Rs.5.00 crores; and

1.2.6. During 2014-15,all RRBS would strive to maintain CD Ratio of at least 50%.All RRBs below 50% would strive to reach 50%.Those between 50-60% would target 70% and so on in cases where these are less than 70% would target 10% increase.

1.3. During the meeting held by Finance Minister to review working of RRBs, CEOs of selected RRBs and General Managers of Sponsor Bank were invited. During the deliberations, Hon'ble Finance Minister appreciated the certain aspect of RRBs viz,Deposit Growth,Performance under Priority Sector, Lending to Agriculture sector.He impressed upon RRBs to focus on -

- RRBs to achieve goal of opening 3000 new branches,
- All RRBs to attain Gross NPA level of less than 5%
- RRBS to draw Action Plan for achieving 100% Financial Inclusion in their area,
- RRBs to make concerted efforts for improving their CRAR,
- The issues discussed included increase in CD ratio up to 50% by 3% up to March 2015.

Sponsor Banks was requested to extend their full support to their RRBs to achieve these objectives.

1.4. Govt of India had advised in the different meetings that –

1.4.1 Credit Deposit ratio in RRBs should not be less than 70%.For this Sponsor Bank should encourage joint lending.

1.4.2 RRBs should attain minimum per staff profitability of Rs.5.00 lacs and Per Staff Productivity of Rs.5.00 crores

1.5. The role of Sponsor Banks in positioning the RRBs as partners in the rural sector and encouraging synergies between the parent bank and RRBs is considered to be critical. Specially sponsor Banks are advised to take steps in respect of the following:

1.5.1. HR issues, such as recruitment including recruitment for specialised skills like IT, Law and Risk Management, outsourcing for some services and VRS.

1.5.2. *Information Technology issues*: A road map for completion of system driven NPA of sponsored RRBs may be prepared and submitted to Board of RRBs as also to the empowered committee for RRBs at various Regional Office of RBI.

1.5.3. *Operational Issues*: Integration of Sponsored RRBs with the Sponsor Banks and participation of RRBs in consortium financing along with Sponsor Banks.

1.6. If there are any bottlenecks in the functioning of the RRBs arising out of any governmental guidelines or practices, the matter is to be referred to Empowered Committee on RRBs at Regional Office of RBI to pursue at appropriate level. The Sponsor Bank lends support and position the RRBs as partners in rural sector while encouraging synergies between Sponsor Banks and RRBs.

2. PREAMBLE –

2.1. In the wake of ongoing trends towards globalization and liberalization, the market environment in the country has under a major change. The opening of the economy has resulted in entry of multinationals and participation of Foreign Institutional Investors in the Indian Corporate market. The Indian Banking scenario has witnessed progressive deregulation, introduction of prudential norms and adoption of international best practices. The financial sector reforms, consolidation of Regional Rural Banks and entry of private and Foreign Banks have changed the face of Indian Banking Sector. In the present scenario, when spreads are thinning and competition is acute, managing credit risk has become crucial.

2.2. Extending credit is a basic function of a banking which involves risks. It is likely that some of the credit decisions may result loss. The Bank should aim at Managing risk in such a way that a healthy credit portfolio is built and returns are maximised.

2.3. The Reserve Bank of India had come out with guidance note on management of credit risk to enable banks to enhance and fine tune their existing risk management systems, to face the emerging challenges in the fast changing environment and undertake robust credit risk management functions in a more responsive and proactive manner. In the above backdrop, the Bank has upgraded its credit risk policy covering all activities where credit risk is assumed.

2.4. The policy, at holistic level, is an embodiment of Bank's approach to sanctioning, managing, monitoring credit risk and aims at making the systems and controls effective. The policy is only a broad frame work and does not envisage replace/substitute the Instruction Circulars issued from time to time.

2.5. The loan policy is being reviewed/fine tuned to keep in sync with the market realities, business priorities, Govt. policies and regulatory requirements and in line with the developments in the financial sector, regulatory, Government policies, while keeping intact its basic tenets. The updated version of credit policy shall make it possible for the Bank to show a steady and healthy growth in its credit portfolio, resulting in overall improved performance.

3. **OBJECTIVES**:

The basic tenets of the policy are as under:

3.1. The policy strives to ensure that the socio-economic obligations cast on the bank are fully met.

3.2. To enlarge client base of Rural masses, traders, SME, Corporate, salaried segments through aggressive marketing of credit and noninterest earning products.

3.3. The policy document addresses the genuine credit needs of the existing clients and for mobilizing the other Bank's clients to our Bank to ensure quicker and prompt decision.

3.4. The policy establishes a commonality of approach regarding credit basics, appraisal skills and strategies, while leaving enough room for flexibility and innovation.

3.5. The policy aims to seize market opportunities by revamping our products and delivery mechanism through product innovation and restructuring with a view to maximising the profits.

3.6. The policy seeks to ensure continuous growth of loan assets while endeavouring that they remain secure, performing and standard.

3.7. The policy endeavors to mitigate and reduce risk associated with the lending by fine tuning the systems and controls.

3.8. The policy recognises and accords due priority to Computerisation, Management Information Systems based on reliable data base and development of faster communication as tools for better overall credit risk management.

3.9. The policy sets out optimum exposure levels to different sectors in order to ensure growth of assets in orderly manner.

3.10. The policy lays down norms for take-over of advances from other banks.

3.11. The policy seeks to ensure profitable deployment of resources keeping in view the ALM requirements.

3.12. The policy document ensures compliance of all the directives/guidelines issued by Government/RBI/NABARD /Sponsor Bank and all other regulatory requirements on credit matters, in regard to guidelines issued from time to time by the authorities, the bank would follow them in all their aspects. However, if these permit varying interpretations, the Bank will adopt a reasonable interpretation without deviating from the spirit behind the guidelines.

4. SCOPE:

4.1. This policy would cover all aspects of credit appraisal, sanction and disbursement for all credit related exposures, fund and non-fund based and prescribes acceptance criteria for all forms of credit dispensation. These would include Short Term, Medium Term, Long Term based facilities, as also Letters of credit, Guarantees, participation of Consortium advances along with Sponsor Bank.

4.2. The required guidance, training, skills, support will be imparted by Sponsor Bank not only to run qualitatively our training centre but also at their end for imparting knowledge to all staff an on going basis.

4.3. The policy will encompass exposure to all types of customers such as individuals, proprietorship firms, partnerships, association of persons, Companies registered under the Indian Companies Act, undertakings owned by Government, Limited Liability Partnerships (LLPs),Societies and others.

4.4. DEFINITIONS – Bank will follow the definition of the following terms as per Accounting standards :

a) **Subsidiary** is an enterprise that is controlled by another enterprise (Known as parent)

b) **An Associate** is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor, and

c) **Joint Venture** is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.

d) Significant Influence is the power to participate in the financial and /or operating policy decisions of the investee but not control over their policies.

4.5. Any exception or deviation from these policies and criteria shall be referred to Chairman who shall put up such matters to the Board for approval.

5. **COMMITTEE FOR MODIFICATION AND REVIEW / REVISION**:

5.1. The policy shall be modified to give effect to the changes, if any, in the extant guidelines/ directives/instructions that may be advised by the Government of India RBI/ NABARD/ Sponsor Bank from time to time, subject to reporting and approval of the Board.

5.2. The policy shall be reviewed /revised/renewed from time to time, to adapt to the changing environmental demands and to incorporate and implement any changes in the credit strategy of the Bank, with the approval of the Board.

5.3. In view of the changes that are taking place in the financial sector, action may be called for at a short notice and therefore it is necessary that Management Committee of Executives at Head Office is empowered to take such decisions.

5.4. A committee at Head Office will deal/recommend the major and minor deviations from the policy guidelines that have already been spelt out, so as to give flexibility of operations, to the Chairman .And after approval of the Chairman the same will be presented to the Board for their approval.

5.5. The committee will consist of followings –

1. General Manager,
2. Chief Manager (Audit), and
3. Chief Manager (Advances, Marketing and Financial Inclusion Dept.)

Chief Manager Advances, Marketing and Financial Inclusion Dept.) will act as coordinator of the committee.

6. **COMPLIANCE**:

- All the functional divisions shall comply with the policy guidelines laid down in this document. In case of any doubt about the applicability of any aspect of these policies to any situation, clarification/approval shall be sought from the Chairman prior to committing the Bank.

7. **BANK's VISION**: ***"To become the most preferred bank with commitment towards social responsibility and enhancement of value of all stake holders through customer centric approach by adopting noble ways of banking, modern technology and good corporate governance."***

7.1. To build a sizeable market shares in each of the chosen areas of business through effective strategies in terms of pricing, product packaging and promoting the product in the market.

7.2. To sustain the mission objective through harnessing technology driven banking and delivery channels.

7.3. To promote confidence and commitment among the staff members to address the expectations of the customers, efficiently and handle technology banking with ease.

7.4. Branches to maintain continuous contacts with the existing big borrowers of their branch to know their business activity/expansion plans. A diary containing profile of the such borrowers should be maintained at every branch which will include information not only about their business but also give information about the facilities availed by them from our bank or other banks. Information regarding facilities availed from other banks should be used for bringing them into our fold.

7.5. Branches to obtain reference from good customers/top borrowers and use them for increasing customer base at every branch and cross selling our products to them.

7.6. Acquisition of new customers/accounts will be an ongoing activity for business development.

7.7. Branches are required to collect data of top borrowers of other banks in the area and contact them for bringing in to our fold after making due diligence / enquiries.

7.8. Technology should be leveraged for acquisition of new business by providing National Electronic Fund Transfer (NEFT) facilities.

8. **New Product Initiative:**

A committee on Initiation of New Product consisting of the followings, will examine the introduction of New Products:

- Chief Manager Audit Department
- Chief Manager DIT
- Chief Manager Planning & Development
- Chief Manager Advances, Marketing and Financial Inclusion Dept.)

Chief Manager Advances, Marketing and Financial Inclusion Dept.) will act as coordinator of the committee.

9. Thrust Area :

Concerted efforts through aggressive marketing would be made for fresh exposure for expansion of credit deployment in the following areas subject to prudential exposure norms:

- Gramin Green Card (Kisan Credit Card)
- Formation of and lending to Self Help Groups, Joint Liability Groups
- Formation of Krishak Club
- Priority Sector, with emphasis on Agriculture (including Micro Finance)
- Agri Clinic/Agri Business Centers
- Retail Finance
- Education Loans
- Overdraft loans i.e. KGS Shakti, General Credit Card,
- Micro, Small & Medium Enterprises including Brick klin & Rice Mill,
- Trade Finance
- Service sectors like Tourism, Health, Transportation,
- Food Processing including Branded Foods, Agro based industry, Agro processing units.
- Biotech
- Projects under Credit Linked Subsidy Scheme under NABARD Scheme
- Advance against warehouse receipts to Traders
- Non-conventional renewable energy Solar Photo & Thermal Equipment
- Rent Receivable Finance
- Loan against mortgage of property

These loans will be sanctioned by all delegates as per their delegated authority.

10. Low Priority Areas

Fresh exposure would be limited/restricted depending upon merit on case to case basis. However, the credit requirements of the existing customers would be considered subject to prudential norms in the following areas :

- Brick kiln
- Rice Mill

The low priority means stricter scrutiny only. In the above areas lending to be considered selectively on case to case basis. On the basis of inherent strength of the borrower l**oans to Brick kilns & Rice Mill will be sanctioned & renewed by one grade above but not below than Regional Managers. For scale-IV branches,delegation power vested with H.O.**

11. Negative areas

Looking to uncertain prospects leading to higher risks, certain areas are identified as negative area for lending are as under :

11.1. Casting of Iron & Steel
11.2. Naptha / Fuel Oil (FO) / Low Sulphur (LS) / Low Sulphur Heavy Stock (LSHS) based fertilizer plants.
11.3. Manufacture of Plastic in primary form and Plastic products.
11.4. Refractories
11.5. Solvent Oil Extraction
11.6. Vegetable Oil and Vanaspathi sector
11.7. Newsprint Paper
11.8. Telecom cables.
11.9. Jute, Texturising (on standalone basis)
11.10. Breweries
11.11. Steel Intermediaries including Sponge Iron
11.12. Diamonds Cut & Polished
11.13. Multiplexes / Malls
11.14. Gems & Jewellery
11.15. Steel Flats - CR, GP / GC. Cement
11.16 Financing of State Electricity Board(SEBs) /Distributer companies of PSUs.
11.17 Real Estate – Financing Housing Projects
11.18 Software / IT Enabled Services Sector including BPO / Call Centers
11.19 Iron Ore Mining, Steel Alloys, Steel Flat-HR
11.20 Auto Ancillaries
11.21 Infrastructure Finance
11.22 Integrated Sugar Mills
11.23 Cement

These above loan will be sanctioned by General Manager & Chairman only as per their delegated authority.

12. Prohibited Area for Lending

12.1. The Bank will not take any exposure under lease financing.

12.2. The Bank will not lend to industry producing Ozone depleting substances (negative list)

13. Restrictions of Lending Activity

13.1. In conformity with the statutory restrictions of RBI, the bank would ensure that the following stipulations with regard to lending activities are adhered to:

13.2. No loans shall be granted against gold/silver bullion

13.3. No loans to be sanctioned against the security of Bank's own share.

13.3.1. No loans to be sanctioned to partnership firms/ sole proprietor concerns against the primary security of shares/debentures

13.4. No loans to be sanctioned against FDRs/Term Deposit of other Banks.

13.5. No FDR/TD of other bank and share/debenture be kept as collateral security in any loan facility.

13.6. Loans to Brick Klin units / Rice Mills will be allowed only on selective basis by RMs/GM/Chairman as per their delegated authorities.

13.7. No loans shall be granted to the Director of the Bank,

13.8. No loans shall be granted to the willful defaulters.

13.9. No loans shall be granted to the new units consuming/producing ozone depleting substances.

13.10. No loans shall be granted for acquisition of/investing in Small Saving instruments including KVPs

13.11. No loans shall be granted against certificate of deposits.

13.11.1. No loans shall be granted to partnership/proprietorship concerns against the primary security of shares and debentures, etc.

13.12. No loans shall be granted against share/debenture/equity.

13.13. Restrictions imposed by RBI on granting of loans and advances and issues of guarantees on behalf of its Directors who are other banks directors including scheduled operative banks or their relatives, any firm/company in which any of other bank's/our bank's director is interested as partner/director/manager/employee or guarantor shall be strictly adhered to.

14. Priority Sector Lending

14.1 Priority Sector Lending shall continue to be chosen area and our endeavor shall be continued to exceed the overall share of 60 % of Adjusted Net Bank Credit (ANBC) as prescribed by RBI with sub-sector achievement as follows:

Priority Sector	**60% of Total Outstanding Advances**
Credit to Weaker Section	**15% of Total Outstanding Advances. & 25% of Priority Sector**

14.2 Revised guidelines of Reserve Bank of India on Priority Sector circulated vide their circular no.RBI/2014-15/82 RPCD/CO/RRB/BC/No.5/03.05.33/2014-15 dated 01.07.2014 must be followed up by the branch/bank.

14.3 Thrust has to be given for financing to Micro Finance Institutions to acquire indirect customers who are hitherto unreached or under-reached so far by Bank.

14.4 Special emphasis has to be given for extending micro credit to the direct customers.

15. Agriculture:

Advances to Agriculture sector is a thrust area and for improving performance under this sector the focus shall be on:-

- Conventional Crop Loans
- Gramin Green Card (KCC)
- Loans to Share Croppers, Landless Laborers, Joint Liability Groups
- Loans against Gold, Jewellery / Ornaments from some specific branches only.
- Advances to Self Help Groups (SHG)
- Advances to Joint Liability Groups(JLGs)
- Farm Mechanisation Programme
- For construction of Cold Storage units/ Warehouses/ Onion Godowns
- Long term loans to Land Development, Minor irrigation, Construction of Rural Godowns, Horticulture, Floriculture, Medicinal & Aromatic Plantation etc.
- Hi-tech Agriculture finance/ Corporate Agriculture finance (with Sponsor Bank)
- Financing high value projects of NABARD
- Agri. Clinics and Agri. business
- Mortgage Scheme for Agriculturist
- Allied Agricultural Activities like Dairy, Poultry etc.
- Project for Rain Water Harvesting.
- Advances to dealers of other inputs like fertilizers, pesticides, insecticides.
- Advances against warehouse and cold storage receipts.
- Shwet Kranti Yojna
- Credit Flow to Women Entrepreneurs,

The process of accelerating credit to women for uplifting and economic development shall be continued. While extending finance to Self Help Groups (SHG),special attention is to be given to women SHGs.

16. Micro & Small Enterprises (MSEs) Finance:

16.1. **Definition of MSME**

As per new definition Direct Finance to small enterprises shall include all loan given to micro & small (manufacturing) enterprises engaged in manufacture /production, processing or preservation of goods, and Micro & Small (Services) Enterprises engaged in providing or rendering of services. The Micro & Small (Services) Enterprises shall include Small Road & Water Transport Operators, Retail Trade, Small Business, Professional & Self Employed persons, and all other services enterprises.

16.2. **Definition of Indirect Finance**

Indirect finance to Small Enterprises shall include finance to any person providing inputs to or marketing the outputs of artisans village & cottage industries, handlooms and to cooperatives of producers in this sector.

16.3. **Manufacturing Units**

Now the manufacturing units will be classified into Small & Micro (Manufacturing) Enterprises as per definition given below –

16.3.1. **Micro (Manufacturing) Enterprises** : Where the investment cost of plant & machinery of the project will be maximum up to Rs.25 lacs only.

16.3.2. **Small (Manufacturing) Enterprises :** Where the investment cost of plant & machinery of the project will be maximum above Rs.25 lacs but maximum up to Rs. 5 crores

16.4. **Services Units**

The old sectors of, PSE, RTO etc. will now be classified as Small &Micro (Services) Enterprises as per definition mentioned below -

16.4.1 Micro (Services) Enterprises : Where the investment cost of equipment will be maximum up to Rs.10 lacs only.

16.4.2 Small (Services) Enterprises: Where the investment cost of equipment will be more than Rs.10 lacs but maximum up to Rs. 2 crores only.

16.5. **Credit allocation to Small Scale Enterprises**

16.5.1 Micro & Small Enterprises (MSEs) will continue to be a part of Priority Sector lending. Out of total finance to MSEs 60% should be allocated to Micro and remaining 40% to Small Enterprises.

16.5.2. Concerted efforts shall be made to further improve flow of credit to Micro & Small Scale Enterprises. With this end in view, Bank has participated in the Credit Guarantee Fund Trust for Small Scale Enterprises set up by SIDBI and Govt. of India. The scheme covers Micro & Small Scale Enterprises (Micro & SSD) with limits upto Rs. 100.00 lacs where neither collateral security nor third party guarantee is obtained.

16.5.3. **Collateral Free Lending**

In consonance with RBI directives vide their letter no RPCD:SME & NFS : BC:NO.79/06.02.31/2009-10 dated 06.05.2010, Credit limits up to Rs.25000 (Rs.Twenty Five Thousands) to Micro & Small Enterprises should be collateral free and CGTMSE cover is not mandatory. Branches/offices may consider credit limits to the MSEs above Rs 10 lacs & up to Rs 50 lacs without any collateral security and third party guarantee subject to the condition that they are covered under Credit Guarantee Scheme (CGS) of Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE).

Medium Enterprises account will not be eligible for guarantee cover under CGTMSE.

16.5.4 **Turn Around Time**

Since MSEs have top priority therefore Micro & Small Enterprises (MSEs) credit proposal should be disposed off within 7 days to 14 days depending upon Delegated Authority from Branch to Regional/Head office.

16.6. **MSME**

16.6.1. MSMEs have been playing a pivotal role in country's overall economic growth and have achieved steady progress over the last couple of years.

16.6.2. MSMEs provide employment to more than 29 million people through 12.8 million units and contributed more than 15% of India's GDP in FY, 2007. Moreover, MSMEs account for around 95% of the industrial units and contribute around 40% of country's industrial output. They are the stepping stones for entrepreneurship development, innovation and risk taking behaviour.

16.6.3. The enactment of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 was a landmark initiative taken by Govt. of India to enable MSMEs competitive strength, address the issues & challenges and reap the benefits of global markets.

16.7. **Credit Flow to Women Entrepreneurs:**

To improve the performance of accelerating credit flow to women for upliftment and economic development our endeavour is to reach 20 % of total credit of Bank. While extending finance to SHG, special attention is to be given to women SHG. For this purpose the bank has associated with Rajiv Gandhi Mahila Vikas Pariyojna as a pilot project in few branches which is joint venture of RGMVP,NABARD & Bank.

16.8. **Financial Inclusion**

As per directives & Monetary policy Statement of May2011 of RBI Financial Inclusion Contained the opening of Rural Brick and Mortar branches, deployment of business correspondents(BCs) & business facilitators(BFs),coverage of villages having population over 2000,as also other unbanked villages with population below 2000 through branches/BCs/other models, opening of No-frill accounts, issuance of kisan credit card, general credit cards and other specific products designed by the Bank to cater to the financially excluded segments.

Bank has set up "FINANCIAL INCLUSION" cell to focus on inclusive growth for the underprivileged category of beneficiaries/customers in underserved / marginally served Urban and Rural environments through banking services. Bank has included the opening of No-frill accounts, issuance of kisan credit card, General Credit Cards, Group insurance on small premium amount, Loans for Solar Equipment (under Jawahar Lal Nehru National Solar Mission),lending through JLGs/SHGs. and engaging the Vikas Mitra at branches.

16.9. **On Lending Through Micro Finance Institutions**

Financial Inclusion is gining importance of late for promoting inclusive growth and aims at reaching out to more people who deserve credit and who can not accesses credit through existing bank branch network. A quicker and effective outreach is possible through the micro finance institutions (MFIs)/Non Government Organizations (NGOs)/Self Help Promoting Institutions (SHPI), which would be a better module to achieve the said goal.

Bank will formulate the Policy for Financing to Micro Finance Institutions separately.

16.10. **Retail Finance**:

Following Retail finance products are already introduced by the Bank and illustrated below:

S.No	**Product**	**Description**
1	**Apna Ghar**	For purchase/construction of flat/house,repairs/extention of house
2	**Consumer Vehicle Loans**	For purchase of two/four wheelers for personal / professional use by individuals.
3	**Apna Swasthya**	To provide financial assistance to Medical professionals for construction of self dispensary, nursing home, purchase of equipments
4	**Trade Finance**	To provide financial assistance up to Rs.5.00 crore to traders for trading activity
5	**Apna Aaram**	Loan for personal/consumer durable to salaried class.
6	**Jan-samriddhi**	To sanction clean overdraft facility to the salaried customer of the branch.
7	**Loan to Pensioners**	To sanction clean overdraft facility to pensioners.
8	**Loan for LPG connection**	To provide financial assistance up to Rs.3500.00 to women for purchase of L.P.G. connection
9	**Consumer loan**	To provide financial assistance to Non salaried persons for personal consumption.
10	**Loans against Mortgage of land**	To provide financial assistance to Salaried/Non salaried persons for General Purpose & Trading activities
11	**Education loan**	Loan for Higher/Professional/Technical Education to meritorius student.
12	**Loan against Rent**	Loan for productive/contigent liability.
13	**Gramin credit card**	To provide financial assistance up to Rs.25000.00 to Rural/semi urban customers for personal consumption
14	**Sulabh sakh yojna**	To sanction clean overdraft facility to salaried persons
15	**Aarogya Sudhar Yojna**	To provide financial assistance up to Rs.10000.00 for construction of Latrine in Rural Area.
16	**Solar Energy (Photovoltaic &Thermal,)Equipments, Solar Micro Grids**	To provide financial assistance for Solar Energy Products
17	**Cyber Cafe**	To provide financial assistance for Establishing Cyber Cafe and PCO
18	**Commercial House Building Loan**	Bank does not have the special scheme for commercial housing loan but if proposal are received they will be disposed off on the merit of the case. A scheme for Commercial House Building Loan will be develop by the Bank

16.11 Policy Measures Undertaken by the bank With Relaxations to support Retail Lending

Keeping the view of accelerating the credit flow for Retail Lending ,the bank has taken various measures with imposing delegation at varios levels for the specific relaxations for supporting Retail Lending as under.

Particulars	Deviation	Delegated Authority
Age of Borrower	Deviation in the Age of the Applicant/Co-Applicant(s), beyond the upper limit under all retail lending scheme	General Manager
Processing Charges	Waiver of Processing Charges under all retail lending scheme	General Manager is empowered to give up to 50% concession in processing charges. Concession in processing charges over 50% to be permitted by Chairman.
Sustenance amount	Sustenance amount/net take home pay norms under all retail lending scheme	Chairman is empowered to permit relaxation in the applicable sustenance/net take home pay amount norms.
Loans to Regional Heads / Chief Managers	Retail loans to Regional Heads / Chief Managers and their relations	General Manager is empowered to sanction Loans to Regional Heads/Chief Managers and their relations.
Margin	Concession in margin under Housing Loan	Chairman is empowered to permit relaxation upto 15% in margin for loans under Housing Loan.
Income consideration for eligibility	Considering the income of a family member (other than father/mother/son) for arriving at the eligible quantum of loan, under Housing and Mortgage Scheme	Chairman is empowered to permit deviation on case to case basis with a view to garner fresh business and/or prevent migration of our customer to any other bank
Moratorium	Extension of moratorium period under Housing and Education within the maximum permissible tenure under the scheme	Chairman is empowered to permit deviation on case to case basis within the maximum permissible repayment period for the respective scheme viz. 25 years for Housing Loan and 7 years for Education Loan.
Second Education Loan	**Sanctioning second education loan for higher studies when first education loan is outstanding with our bank under Education Loan**	**Chairman is empowered to permit the deviation, within total loan limit viz. Rs. 10 lakh for inland studies and Rs. 20 lakh for studies abroad, by assessing the overall loan liability, enhanced earning capacity and repayment obligations among others.**

16.12 Infrastructure finance:

16.12.1. In view of the national importance attached to infrastructure development, its criticality to economic development of the country, the potential for large volume business, the Bank attaches utmost importance to financing infrastructure projects. Fro financing large infrastructure projects, the bank will rely on appraisal notes/ due diligence carried by FIs / recognized technical consultants / large banks as also carry out its own due diligence of the projects, wherever feasible.

16.12.2. Financing of infrastructure projects is characterised by large capital costs, long gestation period and high leverage ratios. In order to facilitate free flow of credit to infrastructure projects, RBI has dispensed with the earlier stipulation regarding the ceiling on the quantum of term loans which can be granted by banks for a single infrastructure project (Rs.1000.00 crores for power projects and Rs. 500.00 crore for other projects).

16.12.3. Bank can now sanction term loans to infrastructure projects within the overall ceiling of the prudential exposure norms. Further, subject to certain safeguards, banks are also permitted to exceed the single borrower / group exposure norm to the extent of 5% / 10% respectively provided the additional exposure is for the purpose of financing infrastructure projects.

16.12.4. RBI has put in place guidelines to accelerate credit disbursement to infrastructure. These guidelines cover criteria for financing, types of financing. appraisal, regulatory compliance / concerns, asset liability management, administrative arrangements and inter-institutional guarantees.

16.12.5. <u>**Definition**</u>

16.12.5.1. Infrastructure would include sectors as may be notified by CBDT in the Gazette from time to time. Any credit facility in whatever form extended by lenders to an infrastructure facility as specified below falls within the definition of "Infrastructure financing". In other words, a credit facility provided to a borrower company engaged in:

- developing or
- operating and maintaining, or
- developing, operating and maintaining

16.12.5.2. a road, including toll road, a bridge or a rail system.

16.12.5.3. a highway project including other activities being an intgegral part of the highway project.

16.12.5.4. a port, airport, inland waterway or inland port.

16.12.5.5. a water supply project, irrigation project, water treatment system, sanitation and sewerage system or solid waste management system.

16.12.5.6. a telecommunication services whether basic or cellular, including radio paging, domestic satellite service (i.d. a satellite owned and operated by an India company for providing telecommunication service), network of trunking, broadband network and internet services.

16.12.5.7. an industrial park or special economic zone.

16.12.5.8. generation or generation and distribution of power.

16.12.5.9. transmission or distribution of power by laying a network of new tranmission or distribution lines.

16.12.5.10. Construction relating to projects involving agro-processing and supply of inputs to Agriculture.

16.12.5.11. Construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality.

16.12.5.12. Construction of Educational institutions and Hospitals.

16.12.5.13. Lying down and / or maintenance of gas, crude oil and petroleum pipelines.

16.12.6. Bank can sanction term loan to infrastructure in adherence to prudential exposure norms i.e. 20% and 50% of its capital fund to the individuals and to the groups related to infrastructure respectively.

16.12.7. It is a thrust area for Bank with synergies between us and Sponsor Bank (for training the staff, improving appraisal skills, identification of entrepreneur) to extend finance under consortium.

16.13 Consortium Advance:

16.13.1. RRBs vide RBI letter No. RBI/2006-07/440 RPCD.CO.RRB.BC 104/ 03.05.34/2006-07 dated 19.06.2007 are permitted to participate into consortium with their Sponsor Bank and other Public Sector Bank within their exposure limit with condition that project should be in the jurisdiction area of the RRBs and the appraisal of the project will be made by Sponsor Bank.

16.13..2. Bank have to explore the possibility for financing under consortium advance with Sponsor Bank.

16.13.3. The Bank's share in the consortium shall be decided on case to case basis.

16.14 Loan Syndication

When two or more financial institutions grant an exposure to a single borrower under a single credit facility (e.g. a syndicated credit), the limits apply only to the funds provided by each financial institution and representing that financial institution's pro rata share of the total credit facility. For this exception to apply, the syndication agreement must be in writing and must specify explicitly the terms and exposures of each financial institution in the syndicated credit.

16.15 Multiple Banking

16.15.1. Under Multiple Banking Arrangement each Bank is free to negotiate terms and conditions, including margin, rate of interest etc. As such where the borrower enjoys Working Capital facilities from more than one Bank, details about the borrowing should be obtained from other Banks for assessment of limits at the time of sanction as well as renewal / enhancement etc.

16.15.2. In respect of borrowers enjoying credit facilities of Rs. 10.00 crores and above, under Multiple Banking Arrangement, the avenues to finance the same through a formalised Consortium arrangement be explored. The detail on exchange of information amongst Banks, obtaining Declaration from the Company about the credit facilities already enjoyed from other Banks, obtaining Certificat regarding compliance of various statutory prescriptions etc should be obtained. In Multiple Banking Arrangement, the lender who first undertakes assessment will generally be followed and advances from entire banking sector should be restricted to total assessed limits. In accordance with share in total limits, pari-passu charge should be registered with ROC. Terms and Conditions should generally be common and we should fall in line with other lenders.

16.16 <u>Exposure to Sensitive Sectors</u>

16.16.1. Real Estate

Real Estate exposure is essentially a fund / non fund based credit line / outstanding to a counter party and the ultimate recoverability of the exposure is relatable to and directly dependent on and the realisibility of Real Estate property.

16.16.1.1. Since the activity of real estate (other than housing, rent etc.) is sensitive sector therefore proposal under sector are to be dealt on selection basis.

16.16.1.2. Advances for development of real estate may generally be considered in the case of property developers / others for meeting any need based funding. The Bank finance shall be used for development / construction activities and not for speculative activities connected with real estate.

16.16.1.3. The real estate property offered as security shall be a free hold property with a clear marketable title. Based on the need felt, in addition to / or in lieu of equitable mortgage of land proposed to be developed, other properties in the name of the developer may also be obtained as security.

16.16.1.4. The total cost of proposed development /construction shall be assessed based on the cost estimation given by a qualified empanelled consulting Engineer. Reasonableness of the estimates shall be ensured.

16.16.1.5. All necessary permission, clearance, approvals form statutory / competent authorities for taking up the project and construction of the building shall be obtained and copies shall be held on record.

16.16.1.6. In respect of loans extended for development / construction of buildings, minimum margin i.e. 35% to 50% on overall cost of property / construction cost inclusive of stamp duty shall be maintained. Further for arriving at need based finance the Bank shall also take into account the advance money / partial sale consideration expected to be received during the construction phase.

16.16.1.7. The tenor of loans shall not generally extend beyond 5 to 7 years in real estate financing. Wherever repayment is out of the rentals to be received from prospective tenants, the same shall be properly tied up.

16.16.1.8. Bank shall not consider granting advances merely for purchase of Plots, whether Industrial or residential or otherwise, since it may amount to speculation activity.

16.16.1.9. The delegation for sanction of Commercial Real Estate proposals vests with Head Office only. This restriction on delegation, however, shall not be applicable to the Retail Lending Schemes like Apana Ghar and its variants, Mortgage Loan against Rent, Apana Swasthya, Hotels etc, though the advances under these categories are classified as Real Estate.

16.16.1.10. As per prevailing norms in the Sponsor Bank i.e. Union Bank of India the overall exposure to the Real Estate segment shall be restricted to 25% of total bank's credit as of the previous year. Within the overall ceiling of 25%, Direct Exposure shall be restricted to 17% and Indirect Exposure to 8% of bank's total credit as of the previous year.

However for our Bank only direct exposure shall be restricted to 25% within which the exposure for commercial real estate shall be 10% of bank's total credit as of the previous year as the indirect exposure (i.e. exposure on National Housing Bank, Housing Finance Companies, Housing Board and other Public Housing Agencies) may not be available for our Bank.

16.16.2. Direct Exposure means finance against –

16.16.2.1. Residential Mortgages (inclusive of mortgage loans granted for personal purposes against security of residential properties).

16.16.2.2. Commercial Real Estate.

16.16.2.3. Investment in Mortgage Backed Securities and other Securitized Exposure – Residential and Commercial.

16.16.2.4. Exposures relatable to other revenue streams, but are secured by and dependent on value of Real Estate property (e.g. Rent Securitisation).

16.16.2.5. Within the overall ceilings the Bank shall restrict its exposures to various segments as under :

		CEILING %
Total Real Estate Exposure		25%
A)	Direct Exposure of which	17%
	Residential Mortgages	10%
	Commercial Real Estate	7%
	W/w A-1 Education Institution, hotels, hospitals and SEZ A-2. Contruction of Cold starage/Godown/ Warehouses	2% 0.50%
B)	Indirect Exposure (1+2)	8%

16.17. Solar Energy Aplliances & Solar Micro Grid

Use of Solar Energy for domestic & commercial heating & lighting is one of the viable & sustainable solution to the energy problem. Harnessing Solar Energy is becoming more and more popular. It is a fact that even today many remote villages in the country do not have access to grid power and they depend on Kerosene & other fossil fuels. The problem of power shortage being faced by the public can be viewed as an opportunity for the Bank to extend finance for solar lighting,heating systems. Promotion of Solar Power as one of the alternative energy source is, both a social cause and a business proposition to the Bank.

Simultaneously, supply of solar electricity is a good option for not only income generation but for employment generation also. Bank has collaborated with The Energy & Resource Institute (TERI) New Delhi, who is providing different subsidy on capital cost (Through Ministry of External Affairs, Norway,DFID UK etc.) vis-à-vis insurance & taking care of after sale annual maintenance also to the energy entrepreneurs for establishing the Solar Micro ower Grid.Bank on time to time shall explore all possibilities to implement the new innovative schemes through TERI,New Delhi.

Therefore financing for Solar Water Heating Systems as well as Solar Lights for domestic and commercial purpose will be "top priority".

To ensure the qualitative lending Bank will do the tie ups with the Manufacturers directly and the financing will only be available towards those manufacturers. The base guidelines for tie up will be finalized by the **COMMITTEE ON MODIFICATION AND REVIEW / REVISION** as stated in point 5 of this policy and this will be approved by the Chairman.

The need is immediate action for aggressively market the product under the purpose by initiating the following steps –

- to organise the awareness camps with demonstration on working of solar water heating & light systems.
- to identify and assist eligible persons including all existing good customers.
- to engage motivators for mobilising proposals for Solar Energy.
- to highlight the advantages of Solar Energy.
- to identify at least one village / colony / ward by each branch in their command area which can be made 100% Solar Village / Colony / Ward covering all the household with Solar Energy Equipments.
- Financing for solar photovoltaic system is preferred under Jawahar Lal Nehru National Solar Mission (JNNSM) scheme. A capital subsidy scheme sponsored by MNRE and implemented through NABARD.

16.18. **Fast Moving Consumer Goods (FMCGs) - Cosmetics, Toiletries, Oral Care & Detergents**
The expected rise in the disposable income of consumers (following the change in tax brackets and norms in ghe recent budget) is expected to induce consumer durable demand. In view of the expected demand and the change in habits of the Indian consumers, which will drive the said sector, the said sectors have been included under thrust area.

17. Utilisation of Foreign Exchange mobilised from NRE/FCNR deposits:

17.1. RRBs are permitted to accept deposits from NRIs and we have applied for permission from RBI. The resources mobilised shall be channelised through Sponsor Bank to cover Exchange risk and to earn FOREX income and to make finance in FOREX.

17.2. The loans against the pledge of NRE (term deposit) and FCNR deposits accepted by the Bank shall be given as per the procedure adopted by the Bank in consultation with Sponsor Bank.

18. Appraisal Standards:

18.1. Presentation of Credit Proposal shall be done in the prescribed format devised for this purpose. Request for credit facility from the prospective borrowers shall be on the prescribed format and full-fledged proposal should be prepared for submission to the appropriate sanctioning authority for approval. Proposal should clearly indicate the need based requirements of the borrower for Bank finance and the rationale for recommendations. Such proposals should analyse various risks i.e. Business risks, Financial Risks, Management Risks etc. and elucidate the process by which such risks will be managed on an ongoing basis.

18.2. The loans/advances will be reviewed/renewed once in a year.

19. Exposure towards Unsecured Advances and Unsecured Guarantees::

19.1. Bank shall ensure that the total unsecured advances did not exceed 25.00% of total advances of the immediate preceding year.

19.2. As per the guidelines of RBI that an Unsecured exposure is defined as an exposure where the realisable value of security, as assessed by the Bank /approved valuers/ RBI inspecting officers, is not more than 10%, ab-initio, of the outstanding exposure. Exposure shall include all funded and non-funded exposures. Security will mean tangible security properly charged to the bank and will not include intangible securities like guarantees, comfort letters etc.

19.3. Banks were precluded from issuance of guarantees favouring Financial Institutions, other Banks and / or other Lending Agencies for the loans extended by latter, excepting in some specified cases.

19.4. RBI has reviewed the earlier instructions and decided that Banks may henceforth issue guarantees favouring other Banks/FIs/Lending Agencies for the loans extended by the latter.

19.5. Bank shall not accept agricultural land as Collateral security for non agriculture purpose until the land use of agricultural land has been changed by competent authority.

20. Pricing:

20.1. In respect of credit facilities where the rates of interest are governed by RBI, the Bank shall stipulate appropriate rate of interest in tune with the relative guidelines in vogue from time to time.

20.2. In respect of credit facilities where Bank has freedom to fix lending rates, the Bank shall adopt competitive approach in pricing with regard to nature of risk, cost of funds, cost of services/operations and market factors, with approval of Board.

20.3. In case of Consortium advances, the Bank shall normally stipulate the rate of interest as prescribed by the lead (Sponsor) Bank.

21. Interest Rate Concession(s):

With an intention to mobilise the good and big borrowers accounts it is necessity of the time that Bank should decentralise the process of concessions in interest rate on qualitative proposal. The power of reduction in the prevailing interest rate of advances, the authorization limit is as under –

21.1. General Manager	Maximum up to 1% of Prevailing Rate
21.2. Chairman	Maximum up to 2% of Prevailing Rate
21.3. Board	Above 2% of Prevailing Rate

For concession in consortium advances with our Sponsor Bank / Other Banks we will have to fall in line with the rate offered by the leader bank. Such proposals will also be disposed of as above.

If market conditions in such cases that any good and big borrower(market leaders or borrower of good long track record will be preferred as big & good borrowers) availing limit of Rs.0.40 crore or above demands concession in interest rate due to competition amongst other banks of the area, the concession would be allowed as per limit mentioned above.

22. Credit Administration:

22.1. Time norms for disposal of credit proposal and credit refusal.

22.1.1. The Bank shall comply with the guidelines relating to issue of acknowledgement for receipt of proposal and time norms for processing and disposal as contained in Fair Practices Code formulated by the Bank.

22.1.2. The credit proposal if falling within the delegated authority of Regional Office (RO) shall continue to be forwarded to respective RO by the branch. If the proposal is falling within the delegated powers of Head Office the branches shall submit the same through respective RO. RO along with recommendation shall submit to competent authority within 7 days of receipt of proposal.

22.1.3. Time Limit for Disposal of Proposals

Particulars	**Time Limit**
Loan falling within the delegated authority of BM	07 days
Loan beyond the delegated authority of BM	15 days

22.2. Borrower Standards:

22.2.1. The financial strength of the borrower client shall be adequate, in relation to the project size/volume of operations proposed to be undertaken and risks involved therein.

22.2.2. Though it is very difficult to evolve industry-wise bench marks for Current and Debt Equity Ratio (DER), Profitability Ratios and Debt Service Coverage Ratio (DSCR) or any other specific ratios, in general Current ratio of 1.17 and above, DER <2.00 : 1, Total outside liabilities to Net worth Ratio of < 4.00 : 1 and DSCR of 1.50 : 1 will be considered as reasonable requirement for any new application. Relaxation may however be considered by the Chairman on merits of the case.

22.2.3. In case of SSI the Nayak Committee recommendations shall be followed (Turn Over method)

22.2.4. At the time of Project Financing Bank will follow the followings :

22.2.4.1. Promoters bring their entire contribution upfront before the Bank starts dibursing its commitments.

22.2.4.2. Promoter bring certain percentage of their equity (40-50%) upfront and balance is brought in stages.

22.2.4.3. Promoters agree, ab initio, that they will bring in equity funds proportionately as the Bank finance the debt portion. Since this method has greater equity funding risk therefore it should be ensure that the infusion of equity / fund by promoters should be such that the stipulated level of DER is maintained at all times. RBI has advised to adopt funding sequences so that possibility of equity funding by banks is obviated.

22.2.4.5. In respect of SSE and capital intensive industries, relaxation in DER would be considered. However relaxation of DER shall be considered on case to case basis which proper justification.

23. Process of Due Diligence:

The Bank already have taken steps to observe the Due-diligence. Due-diligence shall be observed in all the new/take over accounts. Due diligence will be observed not only for borrower and its unit but it will be also for proposed guarantors, proposed collateral (landed property/Liquid)securities. Normally branch should made the due diligence through the officer other than processing officer and for loan proposal above 5 lacs the due diligence made by Branch Manager only. The due deligence certificate/report on the prescribed format will be kept in the loan proposal file.

23.1. Interview /discussion with the applicant:

The Bank shall carry out discussion with the applicant borrower. The inputs received through following process of discussion should help the Bank in taking a decision whether or not to take up the case for evaluation.

- Ascertain past track record, activities presently undertaken
- Associate/group concerns
- Details of proposed project such as:
  - infrastructure arrangements
  - forward, backward linkages
  - sources of margin
  - arrangement for financial tie-up
  - procurement of raw material
  - selling and marketing arrangements etc.
- Due Diligence about collateral/applicant being offered.

*23.2. **Industry Prospects***:

The Bank shall ascertain information like present state and future prospects of the particular industrial activity in which the constituent is engaged duly taking into account:

- the market environment
- demand and supply position
- major competitors
- market share
- position of constituent in the respective industry

*23.3. **Financial Statements***:

23.3.1. The information gathered from these statements as stated below shall enable the Bank to get an idea on the business ethics adopted by the constituent and to take a decision whether or not to have dealings with the constituent.

23.3.2. The Bank shall analyse:

23.3.2.1. The financial statements of the constituent

23.3.2.2. income/wealth tax returns, assessment orders of the constituent / guarantor

23.3.2.3. The above statements/documents shall throw light on;

23.3.2.3.1. growth in sales, profitability, cash accruals, tangible net worth position

23.3.2.3.2. investment in associates

23.3.2.3.3. term liabilities

23.3.2.3.4. repayment commitment in term loans in relation to cash accruals

23.3.3. The auditor's notes to the account shall reveal the accounting practices followed by the business entity, details of contingent liabilities including guarantee obligation, claims relating to Income Tax/Sales Tax/Excise duty/Customs duty pending in the courts/tribunals. The information on associates/sister concerns also may be ascertained.

*23.4. **Market Information***:

23.4.1. Opinion about the applicant/associates shall be collected by making market enquiries with people in similar line of business/buyers/suppliers/ competitors/employees etc.

23.4.2. Even in case of existing accounts the Bank shall keep abreast with the market information reports appearing in the local press/news papers/business magazines/contacts with Government officials/business men/Banker colleagues/ credit rating agencies.

23.4.3. In the case of small borrowers, the Bank shall ensure that the individual resides/ undertakes activity within the command area of the branch and his address shall be got confirmed. Further, discreet enquiries shall be made with nearby residents/business establishments/employer/ colleagues on the standing/ credit worthiness of the borrower.

The due diligence certificate which should include the references from whom discreet enquiries about the company / promoters were made will form part of the appraisal note.

23.5. Confidential Opinion from existing Banker:

Efforts to be made to obtain Confidential opinion from the existing banker in all new connections. Efforts shall also be made to gather full information on the credit facilities sanctioned, conduct of account, submission of data/information etc. The Bank may also examine the account statements of the previous banker to confirm satisfactory past dealings and operations.

23.6. *Pre-sanction visit to the applicant's place :*

23.6.1. Pre-sanction visit to the applicants and guarantors place shall be undertaken to know/verify the details of the applicants and guarantors and proposed collateral security to confirm the existence of the unit as well as the assets offered as prime/collateral security and their acceptability. The visit shall also be used to understand the trade practices/manufacturing process of the unit/interact with the employees/other relevant persons to collect purposeful information.

23.6.2. After undertaking credit investigation and collecting information from various sources as explained above a due diligence report shall be prepared covering aspects like Character, Capacity and Credit-worthiness of the constituent. A due diligence report shall invariably be submitted and kept along with all credit proposals.

23.7. Credit Information

As per the directives of RBI Bank has taken the membership of Credit Information Bureau India Ltd. (CIBIL) therefore Bank shall obtain reports from CIBIL on the credit facilities enjoyed by the constituents as well as the status of accounts for the loan above Rs. 2.00 lacs compulsorly.

To ensure the strict compliance of above Bank has already been provided the User ID and Password to All Regional Offices.

24.* Delegation of Powers*:

24.1. The Delegation of Loaning Powers were given to each delegatee, looking into three tier organisational structure, specific business requirements with the approval of Board. These powers are vested with the Chairman, General Manager, Regional Manager (Scale IV) and officers in Scale IV, Scale-III, Scale-II and Scale-I.

24.2. All delegatees shall strictly adhere to the operative guidelines governing the exercise of Delegated Authority.

24.3. Delegation of loaning powers in respect of advances in stable (negative) areas, as mentioned in point No. 10 of the policy, to new borrowers shall be restricted to Chairman only.

24.4. All delegatees should strictly adhere to the prevailing Reporting System in place of exercise of Delegated Powers.

24.5. The Delegation of Powers shall be reviewed/ revised periodically depending on business exigencies, RBI/NABARD, Sponsor Banks' guidelines and feed back and suggestions received from operational units, with the approval of Board.

24.5.1. ***Reporting System for Delegation of Powers***:

A clear Reporting System already existed in the Bank. The Branch Manager shall submit and report the loans sanctioned under his delegation to Regional Office on monthly basis (BMDP Statement). In turn the Regional Office shall scrutinise all these statements within the time frame laid down and bring to the notice of Branch Manager for deviations, abuse of power etc., for immediate rectification. The Regional Office shall ensure that the rectifications are made within the time stipulated. The Regional Office shall report to Head Office on monthly basis the loans sanctioned under their delegation for scrutiny and advice.

25. Sanction of Credit Proposal to Staff and their relatives :

25.1. No Branch Manager shall sanction any loan in his own name including loan against Bank's own deposit, NSC, KVP, LIC Policies etc. In such cases loan will be sanctioned by the Regional Manager only. Simultaniously Loan Proposal of Regional Manager and their relatives will be sanctioned by the General Manager.

25.2. Loans to the Bank' staff in their branches and Regional Office will be sanction by the Regional Manager for and proposal related to Regional Managers will be sanction by General Manager.

25.3. The Loan proposals for business / industry / trade (Commercial Loans) to relatives of staff is to be discouraged but such credit proposals can be considered on case to case basis. Such sanction in respect of relatives of Staff upto Scale III will be made by Regional Manager only and the proposals of relatives of Regional Managers will be sanctioned by General Manager only.

25.4. It is hereby clarified that the following categories of non commercial loans are exempted from the perview of restrictions mentioned in the point no. 25.2. -

25.3.1. Education Loans
25.3.2. Housing Loans
25.3.3. Secured Loans against Bank's own deposit
25.3.4. Loan against NSC / KVP / LIC Policies etc.
25.3.5. Agriculture Production Finance i.e. Crop Loan and KCC
25.3.6. Agriculture Investment Loan e.g. Tractor etc.

25.5. The loans to Bank's Staff for purchase, construction of House / Flats as well as purchase of Car, Scooter, Motorcycle etc. under retail lending scheme will be sanctioned / reviewed on the same terms and conditions with regard to margin, repayment, security and interest to be charged to public etc.

26. Rejection of Application

Branch Managers may reject applications (except in respect of SC/ST) and such cases of rejections are to be verified subsequently by the Regional Managers. In case of proposals from SCs/STs, rejection will be at a level higher that that of a Branch Manager. Further rejection of application should not be on flimsy grounds. The reasons of rejection may also be communicated to the sponsoring agency while returning the applications.

Simultaneously, in the cases of Education loan no proposal shall be rejected at the Branch level itself. These proposal shall only be rejected by the Regional Manager on the genuine ground only. Rejection on flimsy grounds shall be taken seriously and Bank may take appropriate action in such cases.

27. Disbursement:

27.1. All the terms and conditions of sanction, including documentation/completion of mortgage formalities, have to be complied with before releasing credit facilities in normal course.

27.2. All credit disbursements shall be made in prescribed manner and only after ensuring execution and scrutiny of all the required documents and compliance of all the terms of sanction including creation of Mortgage and registration of charges.

27.3. Compliance Certificate for having complied with all the terms of sanction shall be submitted by disbursal authorities within 10 days from the date of release of the credit limits, to the respective sanctioning authority.

28. Take-over of Advances :

In the optimising financial environment, it has become important for the Bank to aggressively market for good quality advances. One of the strategies for increasing good quality assets in the bank's loan portfolio, would be to take over advances from other Banks.

28.1. **Norms for take over of advances under Manufacturing/Industrial advances** (other than Trade & Services Sector) segments will be as under –

28.1.1. The specific reason for shifting the account from other banks should be ascertained.

28.1.2. The advances to be taken over should be rated Standard asset with better Risk Rating

28.1.3 The advance should be Standard Asset in the books of other bank during the preceding 3 years.

28.1.4. The unit should have earned net profits (post tax) in each of the immediately preceding 3 years.

28.1.5. The CR & DER of the unit should be above bench mark as specified by the Bank

- Current ratio under no circumstances to be compromised below 1.17 : 1 .
- TOL/TNW ratio not to be compromised above 3:1 and in case of Trade accounts above 4:1 .

28.1.6. The underlying assets should be distinctly identifiable i.e. there should be tangible security to cover the advance.

28.1.7. The average DSCR for the project should not be less than 1.50 at the time of take-over or for the remaining period of advance

28.1.8. The project should not be in implementation stage at the time of take over of the loan. In other words, it should have commenced commercial production and surpassed the break-even level and the moratorium period for repayment of loan should be over

28.1.9. The term loan proposed to be taken over should not have been re-phased by the existing bank after commencement of commercial production

28.1.10. The remaining period of scheduled repayment in future, after take over, should be at least 2 years and the repayment in future, after take over, too should be as per original/ existing schedule only.

(The norms from (28.1.7.) to (28.1.10.) above are not applicable for take over of Working Capital advances)

28.1.11. In taking over new project special care may be taken to see it soundness & financial health.

28.1.12. credit Report of the existing banker, which is basic due diligence, should be obtained. Branches are advised to make discrete inquiries with at least 3 people in similar line of activity and their views about the prospective borrower's credentials, financial soundness, integrity, reputation and capabilities must be obtained, recorded and kept on record.

28.1.13. Statement of account of the existing bank is to be obtained and verified to assess the quality of operations with the existing banker.

28.2. ***Norms for Take over of advances under Trade & Services Sector***:

28.1.1. The Current Ratio and DER of the borrower unit, should be in line with relevant norms, as per the latest audited Balance Sheet which should not be older than 12 months.

28.1.2. The unit should have earned post-tax profits in each of the immediately preceding 3 years. There should be neither a decline in the profits during the preceding 3 years nor any such trend discernible in near future.

28.1.3. The underlying assets should be distinctly identifiable i.e. there should be tangible security to cover the advances.

28.1.4. In case of term loans from 28.1.1. to 28.1.13 mentioned above will be applicable.

28.1.5. All proposals for take over of units shall be referred to Regional / Head office within their delegated power for concurrence approval before the proposal is sanctioned by the delegatee.

28.2. Bank will not take over any account related to Consumer finance, Education loan, Consumer vehicle loan account.

28.3. The facility of take over of account will be considered for loans under SSI, Services, and Business only. While take over of personal segment advances is not permitted, in consideration of larger business interest/valuable connections, take over of Housing loans can be considered selectively after due diligence and precautions, in cases where possession of the house/flat has been taken, repayment of existing loan has already commenced and installments have been paid as per terms of sanction and the account should not be rescheduled.

29. **METHODS OF ASSESSMENT**:

29.1. ***Assessment of Working Capital Requirements***:

29.1.1. The Working Capital Assessment depends upon the level of business, segment of the borrower, prevailing guidelines of RBI, Trade & Industry practice prevailing and other objective factors. The Assessment shall be based on total study of the borrowers' business operations, the processing and production cycle of Industry, Financial & Managerial capability of the borrowers and other parameters relating to the unit and the Industry.

29.1.2. The Assessment of the Working Capital of the borrower can be under anyone of the following methods:

29.1.3. Turnover Method [Loans up to Rs. 01 crore]

29.1.3.1. This process as per Nayak Committee recommendations will be used for loans up to Rs. One crore.

29.1.3.2. The Working Capital limit shall be computed at 20% of the projected sales turnover accepted by the Bank

29.1.3.3. In the case of SSI borrowers seeking/enjoying fund based working capital facilities, the limits shall be assessed on the basis of turnover method

29.1.3.4. In case of non-SSI borrowers requiring working capital facilities upto Rs.100 lacs from the Banking system the turnover method shall be applied for sanction of fund based working capital limits

29.1.3.5. This system shall be made applicable to traders, merchants, exporters who are not having pre-determined manufacturing /trading cycle

29.1.3.6. Under the turnover method, branches /offices shall ensure maintenance of a minimum margin on the projected annual sales turnover. In other words, 25% of the estimated sales turnover value shall be computed as working capital requirement, of which, at least $4/5^{th}$ (20%) shall be provided by the Bank and the balance $1/5^{th}$ (5%) shall be by way of promoter's contribution towards margin money. However, if the available NWC is more, the same shall be reckoned for assessing the extent of bank finance and lower limits are to be considered

29.1.4. **Flexible Bank Finance**: [Loans over Rs. 01 crore]

29.1.4.1. Flexible Bank Finance Method is extension of Permissible Bank Finance Method with customer friendly approach in as much as the scope of Current Assets is made broad based and for evaluating projected liquidity, acceptable level of Current Ratio is taken at 1.17:1 against benchmark level of 1.33:1.

29.1.4.2. Under this system, an uniform classification of Current Assets and Current Liabilities shall be adopted on the terms given in separate data format.

29.1.4.3. The assessment of credit requirement of a party shall be made based on the projected study of the borrowers business operations vis-à-vis the production/ processing cycle of the Industry.

29.1.4.4. The projected level of inventory and receivables shall be examined in relation to the past trend, market developments and Industry trend.

29.1.5. **Cash Budget Method**:

29.1.5.1. Cash Budget Method may be adopted in case of specific Industries/ Seasonal activities such as Software Development, Construction Industry, Film Industry, Sugar and Fertiliser Industry etc.

29.1.5.2. In these cases, required finance is arrived at from the projected cash flows and not from the projected values of assets and liabilities. However, besides the cash flow, other aspects like the borrower's projected profitability, liquidity, gearing, funds flow are also to be ascertained.

29.2. **TERM LOAN ASSESSMENT**:

29.2.1. The required formats are prescribed for assessment purpose.

29.2.2. The maximum period for repayment of Term Loans other than Housing Loans shall be normally 84 months (including moratorium). This may, however, be increased upto 180 months in respect of Infrastructural Projects and other Projects having longer gestation period. As participation in Infrastructural finance shall be considered with Sponsor Bank the decision shall be made by the Sponsor Bank. In respect of Housing Loans the repayments may however be extended upto 240 months (including moratorium).

29.2.3. Although the benchmark of DSCR for Terms loans shall be 1.50:1, the IRR (Internal Rate of Return) approach is also being considered for assessment of Term Loans of bigger projects in consultation with Sponsor Bank. This assessment will be in addition to satisfying norms under DSCR.

29.2.4. Reviewal/Renewal of loans should be made on annual basis.

30. Timely review/renewal of the account

As per the extant guidelines, Term Loans accounts are to be reviewed at periodical intervals.

30.1. **Working Capital Accounts** are to be renewed at periodical intervals depending upon the rating of the borrowers. Timely review/renewal of the account is vital as a thorough analysis of the account is made at the time of such exercise and it will enable the bank to take suitable steps at the right time. Non-renewal/review of the account also results in the account falling under the stressed category and this should be avoided. Hence, review/renewal of the account has to take place on or before due date.

Further, at the time of review/renew , a mention has to be made in the proposal as to how many times the account was reported in EAS/SMA and for what reasons. The sanctioning authority has to take into consideration this important aspect while exercising his authority for review / renewal/ enhancement.

30.2. **Review of Term Loan Accounts**

The existing guidelines for review of term loan at the existing outstanding level within the respective delegated authority to continue. Even if the original Term Loan is sanctioned by a higher delegatee and with regular repayments the outstanding is reduced as per the repayment schedule, lower Delegatees are permitted to review Term Loans at the outstanding level within their respective delegation. Suich review can be done only if the instalments/interest is serviced upto date, the operations are satisfactory, the account is in the Standard Category and not categorised as EAS I, EAS II or SMA. A copy of the review note is to be sent to the sanctioning authority for information.

31. Off-Balance Sheet Exposures:

31.1. The bank, at present issuing Letter of Guarantee to its customers under non-fund based limits. Such facilities converted into fund exposure in the event of constituent failing to meet the commitment or reimburse the bank on invocation /crystallization of the facility. Off-Balance Sheet exposures also attract Capital Adequacy Norms. It is, therefore, necessary to manage credit risk under non-fund facility with the same diligence as in the case of funded facility.

31.2. Non-fund based facility shall be extended to constituents after taking adequate care in the form of " Credit Investigation" and following "Know Your Customer" principles. The underlying nature of transaction must be fully understood and evaluated as part of approval process.

31.3. Credit Risk in non-fund based facilities shall be assessed in a manner similar to the assessment of fund-based facilities.

31.4. Wherever fund based and non-fund based facilities are granted, it shall be ensured that granting of non-fund based facilities shall not result in excess/double finance.

31.5. In case of guarantees covering contracts, the Bank shall ensure that the constituent has the requisite technical skills and experience to execute the contracts. The value of the contracts must be determined on a case-by-case basis, and separate limits shall be set up for each contract. However, depending on the needs of constituent, the Bank may grant an overall limit, wherever required.

32. **Fair Practices Code (FPC) for lenders**:

The Bank has laid down a transparent Fair Practice Code approved by the Board, as envisaged by RBI, in respect of acknowledging loan applications, their quick processing, appraisal and sanction, stipulation of terms and conditions, post disbursement supervision, charges in terms and conditions, recovery efforts etc.

The General Manager at H.O. will work as Grievance Redressal officer/Nodal officer at H.O. while Regional Manager at Regional Offices will work as Redressal officer/Nodal officer at R.O.

33. **Supervision and Monitoring**:

33.1. By regular and close monitoring, the incidence of slippages, can be minimized. Deterioration in asset quality is rarely sudden except when unexpected environmental economic changes occur. Normally several warning signs surface long before an asset becomes non-performing.

33.2. Preventing slippages for Technical Reasons.

33.3. In view of clarificatory guidelines by RBI making Income Recognition and Asset Classification norms more stringent, Branches shall ensure that the account does not slip to NPA category on account of following Technical reasons:

33.3.1. Review/Renewal of regular/ ad-hoc credit facility is not done within 180 days from due date of actual review/renewal of account.

33.3.2. Drawings allowed against Stock/Book Debt Statements older than 180 days

33.4. Regional Offices are required to maintain and monitor the calendar of Review/ Renewal of accounts of the branches under their jurisdiction.

33.5. The compliance of Credit Monitoring Policy of the Bank shall be strictly adhered.

34. **Monitoring Reports**:

The compliance of Credit Monitoring Policy of the Bank shall be strictly adhered.

35. **Inspection of Collateral Security/ Stocks/ Plant and Machinery**:

35.1. The branches has to get Stock Statement Report shall be collected from all CC and working capital account holders on monthly basis. The stock position shall be verified by branch on monthly basis and shall compile reports.

35.2. The Stock Statement reports prepared by the branch shall be forwarded to Regional Office along with Monitoring Reports as mentioned above.

35.3. The inspection of assets charged to the Bank including collateral securities is to be inspected at least once in a year.

35.4. Valuers are empanelled by the Bank approved list is being updated and circulated to all branches for getting valuation of securities. The certificate shall be obtained from the valuers empanelled by the Bank.

35.5. The collateral securities (liquid and mortgaged) obtained against the loan should be valued in every three years.

36. **Prudential Limits**:/**Exposure Ceilings**

36.1 For Single / Individual borrowers:

The credit exposure to single borrowers shall not exceed 15 per cent of capital funds of the Bank. However, the exposure may exceed by additional five percentage points (i.e., up to 20 per cent) provided the additional credit exposure is on account of infrastructure projects. Bank may, in exceptional circumstances, with the approval of Board, consider enhancement of the exposure to a borrower up to a further 5 per cent of capital funds (i.e., 25 per cent of capital funds for infrastructure projects and 20 percent for other projects).

36.2 For Group Borrowers

The credit exposure to the borrowers belonging to a group shall not exceed 40 per cent of capital funds of the Bank. However, the exposure may exceed by additional ten percentage points (i.e., up to 50 per cent) provided the additional credit exposure is on account of infrastructure projects. Bank may, in exceptional circumstances, with the approval of their Boards, consider enhancement of the exposure to a borrower up to a further 5 per cent of capital funds (i.e. 55 per cent of capital funds for infrastructure projects and 45 percent for other projects).

36.3 Working Capital Finance

There is no objection to Bank extending working capital finance on a very selective basis to borrowers enjoying credit limits with banks, whether under a consortium or under multiple banking arrangement, when the banks are not in a position to meet the credit requirements of the borrowers concerned on account of temporary liquidity constraints. The Bank should take into account these guidelines while granting short term loans to borrowers enjoying credit limits with banks on a consortium basis. In case of borrowers whose working capital is financed under a multiple banking arrangement, the Bank should obtain an auditor's certificate indicating the extent of funds already borrowed, before considering the borrower for further working capital finance.

36.4 Level of Exposure

36.4.1 The sanctioned limits or outstanding's whichever is higher shall be reckoned, in respect of the funded as well as non-funded facilities, for arriving at the level of exposure. The "credit exposure" shall include funded and non-funded credit limits, underwriting and other similar commitments. The exposure on account of derivative products should also be reckoned for the purpose.

36.4.2 In case of term loans, however the level of exposure should be reckoned on the basis of actual out standings plus undisbursed or undrawn commitments. However, in cases where disbursements are yet to commence, the level of exposure should be reckoned on the basis of the sanctioned limit or the extent up to which the Bank has entered into commitments with the borrowing companies in terms of the agreement. (Since the inception of the exposure norms, only 50 per cent of the non-funded limits were required to be reckoned for arriving at the level of exposure. However, with effect from April 1, 2003, in tune with the international practice, the funded as well as non-funded exposures are required to be reckoned at 100 per cent value.)

36.4.3 For the purpose of determining the level of exposure, the following instruments should also be reckoned:

36.4.3.(i) **Bonds and Debentures in the nature of advance** : The bonds and debentures should be treated in the nature of advance when :

- The debenture / bond is issued as part of the proposal for project finance and the tenor of the bond / debenture is for three years and above,and
- The FI has a significant stake (i.e., 10% or more) in the issue,and
- The issue is a part of private placement i.e., the borrower has approached the FI, and not part of a public issue where the FI has subscribed in response to an invitation.

36.4.3.(ii) **Preference Shares in the nature of advance** : The preference shares, other than convertible preference shares, acquired as part of project financing and meeting the criteria as at (i) above.

36.4.3.(iii) **Deposits :** The deposits placed by the FIs with the corporate sector.

36.5. Ceiling to Capital

One of the tenets of Prudential Risk Management is to diversify the exposure both in respect of borrowers and Industry/business sectors.

Category of Borrower	Ceiling to Capital Funds of Bank as %
Single Party	15
Single Party for infrastructure	20
Group	40
Group (for infrastructure project)	50

The Capital Funds of the Bank based on the last Audited balance Sheet as on 31st March 2014 is as under: (Rs. in crores)

Capital	3.00
Share Capital Deposit	42.61
Statutory Reserves	86.86
General Reserves	359.00
(-) Transfer to Statutory Reserves' General Provision	
- for Standard Assets	4.83
Total Capital Funds	496.31

Based on the capital fund position of Bank as of March 2014 the maximum exposure limit of the borrower will be as under –

Category of Borrower	Permissible Bank Finance (in crore)
Single Party	74.45
Single Party for Infrastructure	99.26
Group	198.52
Group for Infrastructure	248.16

Exposure limit will be applied only for sanction of limit.

37. **Documentation Standards**:

37.1. In Credit Management, the importance of proper documentation can at the best placed only next to a sound credit appraisal system. A good documentation system will in turn facilitate better compliance of sanction terms and an efficient disbursement standard.

37.2. In respect of every credit facility approved by bank, prescribed documents detailed in circulars and amended from time to time shall be obtained and proper execution, certification, vetting and Safe custody of the documents shall be ensured.

37.3. Branches shall ensure proper stamping of the documents, registration of charges, Insurance cover, etc. It shall be ensured that documents are kept in force from time to time and proper revival letters/debts etc., Debit Balance Confirmation should be obtained once every year on the basis balance in the loan account as on 31 st March.

37.4. Documents in respect of advances of Rs.Two lacs and above are to be vetted by approved advocates. In case of advances of Rs.Two lacs and above are to be vetted by approved advocate before release of limits and the vetting certificate shall be forwarded to concerned regional Office for necessary guidance and permission for release of loan.

38. **Training & Skill Development** :

38.1. The key to successful management of any risk is the ability to recognise it and this comes from risk awareness. Credit Risk is no different and officials at all levels shall familiarise themselves with the risks involved in assessing credit exposures and provide learning atmosphere. Bank shall also ensure that appropriate training is extended by Bank's Staff Training Centre at Azamgarh and by deputing personnel to external training programs available at BIRD at Lucknow, College of RBI at Pune, STC of Sponsor bank, approved by Personnel Department.

38.2. The Bank has its own Staff Training Centre at Azamgarh which is organising regular training to all cadres. The Bank alos has adopted Training Policy with an object to strengthen and develop the skill and exposure to our staff towards the higher value advances.

39. Recovery & NPA management :

The Bank has laid down a Recovery and NPA management policy approved by the Board.

40. Risk Management Policy :

The Bank will have a transparent Risk Management Policy with prior approval of the Board.

41. **Management Information System** :

41.1. Accuracy and timely availability of information on the exposure that Bank assumes, is one of the pre-requisite for effective management of credit risk. To ensure that credit portfolio of the Bank is managed effectively, all officers involved in credit process should carefully verify for accuracy of the information entered in their records and also monitor the submission of all requisite returns in a timely manner.

41.2. Recognising the importance of MIS decision is to be taken by the Bank for introduction of technology driven MIS package for efficient dissemination of data management, will enable quicker compliance of regulatory and statutory returns and also enable Head Office to take informed decisions based on accurate MIS data.

41.3. Bank has laid out clearly various returns to be submitted ranging from weekly, fortnightly, monthly and quarterly rests. It is the responsibility of the officers submitting the return to ensure that the data furnished accurately reflects the information on record.

****